

REPORT

ALTERNATIVES LIVING, INC.

JUNE 30, 2013 AND 2012

ALTERNATIVES LIVING, INC.

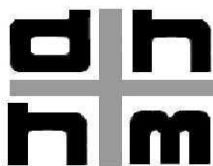
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INDEPENDENT AUDITOR'S REPORT

January 13, 2014

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of Alternatives Living, Inc. (a Louisiana nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial

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statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alternatives Living, Inc. as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2014, on our consideration of Alternatives Living, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alternatives Living, Inc.'s internal control over financial reporting and compliance.

ALTERNATIVES LIVING, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2013 AND 2012

<u>ASSETS</u>		
	<u>2013</u>	<u>2012</u> (Restated)
CURRENT ASSETS:		
Cash and cash equivalents (Notes 1 and 2)	\$ 38,858	\$ 38,736
Accounts receivable (Note 4)	533,177	243,621
Certificate of deposit (Notes 1 and 2)	35,687	35,602
Due from officer (Note 8)	93,429	68,667
Due from employees	4,691	3,115
Total current assets	<u>705,842</u>	<u>389,741</u>
PROPERTY AND EQUIPMENT: (Notes 1 and 3)		
Property and equipment, net of accumulated depreciation of \$120,879 and \$79,538 in 2013 and 2012, respectively	<u>722,437</u>	<u>738,701</u>
Total property and equipment	<u>722,437</u>	<u>738,701</u>
OTHER ASSETS: (Note 3)		
Loan fees, net of accumulated amortization of \$5,859 and \$4,854 in 2013 and 2012, respectively	<u>4,191</u>	<u>5,196</u>
Total other assets	<u>4,191</u>	<u>5,196</u>
TOTAL ASSETS	\$ <u>1,432,470</u>	\$ <u>1,133,638</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 28,704	\$ 11,234
Credit card payable	33,223	28,920
Garnishment payable	3,722	1,230
Payroll liabilities	803,876	685,558
Accrued penalties and interest on payroll liabilities	504,059	296,091
Due to officers (Note 8)	29,994	-
Lines of credit (Note 9)	363,962	70,935
Mortgage payable - current portion (Note 5)	21,673	33,971
Total current liabilities	<u>1,789,213</u>	<u>1,127,939</u>
LONG TERM LIABILITIES:		
Mortgage payable (Note 5)	<u>210,417</u>	<u>225,326</u>
Total long term liabilities	<u>210,417</u>	<u>225,326</u>
Total liabilities	<u>1,999,630</u>	<u>1,353,265</u>
NET ASSETS (DEFICIT):		
Unrestricted	<u>(567,160)</u>	<u>(219,627)</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,432,470</u>	\$ <u>1,133,638</u>

The notes to the financial statements are an integral part of this statement

ALTERNATIVES LIVING, INC.
 STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u> (Restated)
UNRESTRICTED NET ASSETS		
REVENUE AND SUPPORT: (Note 1)		
Housing Plus grant (Note 4)	\$ 2,409,186	\$ 2,154,296
Contract revenue - social services (Note 4)	-	228,859
New Opportunity Waiver grant (Note 4)	415,540	425,474
Miscellaneous income	3,042	9,569
Special event income	5,318	5,848
Interest income	158	219
Rental income (Note 4)	<u>-</u>	<u>16,849</u>
Total unrestricted revenue and support	<u>2,833,244</u>	<u>2,841,114</u>
Expenses: (Page 5)		
Program services:		
Housing assistance and homeless prevention	2,532,361	2,593,946
Supporting services:		
Fundraising	9,367	5,734
Management and general	<u>639,049</u>	<u>461,147</u>
Total expenses	<u>3,180,777</u>	<u>3,060,827</u>
Change in net assets	<u>(347,533)</u>	<u>(219,713)</u>
NET ASSETS - beginning of year, as restated	<u>(219,627)</u>	<u>86</u>
NET ASSETS - end of year	<u>\$ (567,160)</u>	<u>\$ (219,627)</u>

The notes to the financial statements are an integral part of this statement

ALTERNATIVES LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2013

	Program Services	Management and General	Fundraising	Total
Salaries	\$ 1,909,958	\$ 212,218	\$ -	\$ 2,122,176
Payroll taxes	154,598	17,178	-	171,776
Total salaries and related expenses	<u>2,064,556</u>	<u>229,396</u>	<u>-</u>	<u>2,293,952</u>
Advertising	-	952	-	952
Automobile lease	6,226	2,075	-	8,301
Background checks	4,585	-	-	4,585
Bank charges	-	15,338	-	15,338
Computer supplies	2,542	-	-	2,542
Contract labor	-	132	-	132
Contributions	-	100	-	100
CPR training & supplies	171	-	-	171
Dues and subscriptions	-	3,159	-	3,159
Employee functions	-	-	-	-
Entertainment	-	3,000	-	3,000
Equipment rental	-	-	-	-
Housing assistance - rent and utilities	3,812	-	-	3,812
Insurance	170,731	5,394	-	176,125
Interest	-	110,951	-	110,951
Licenses and permits	-	6,500	-	6,500
Meals	7,892	-	-	7,892
Miscellaneous	-	11,693	-	11,693
Office supplies	15,761	-	-	15,761
Penalties and tickets	-	137,920	-	137,920
Postage	203	-	-	203
Printing and reproduction	2,338	-	-	2,338
Professional fees - accounting	55,754	-	-	55,754
Property taxes	-	18,759	-	18,759
Repairs and maintenance	1,594	37,425	-	39,019
Special events	-	-	9,367	9,367
Supplies-other	15,686	-	-	15,686
Telephone/cellular phones	101,897	226	-	102,123
Training/seminars	2,554	-	-	2,554
Travel	61,676	13,685	-	75,361
Utilities	14,382	-	-	14,382
Total expenses before depreciation and amortization	<u>2,532,361</u>	<u>596,704</u>	<u>9,367</u>	<u>3,138,432</u>
Depreciation and amortization	<u>-</u>	<u>42,345</u>	<u>-</u>	<u>42,345</u>
TOTAL EXPENSES	<u>\$ 2,532,361</u>	<u>\$ 639,049</u>	<u>\$ 9,367</u>	<u>\$ 3,180,777</u>

The notes to the financial statements are an integral part of this statement

ALTERNATIVES LIVING, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Management and General	Fundraising	Total (Restated)
Salaries	\$ 1,938,044	\$ 102,002	\$ -	\$ 2,040,046
Payroll taxes	170,795	8,989	-	179,784
Total salaries and related expenses	<u>2,108,839</u>	<u>110,991</u>	<u>-</u>	<u>2,219,830</u>
Advertising	-	-	-	-
Automobile lease	-	9,128	-	9,128
Background checks	-	-	-	-
Bank charges	-	6,117	-	6,117
Computer supplies	9,422	1,047	-	10,469
Contract labor	-	1,110	-	1,110
Contributions	-	100	-	100
CPR training & supplies	290	-	-	290
Dues and subscriptions	339	1,017	-	1,356
Employee functions	-	6,116	-	6,116
Entertainment	-	570	-	570
Equipment rental	-	790	-	790
Housing assistance - rent and utilities	149,805	-	-	149,805
Insurance	95,082	17,838	-	112,920
Interest	-	25,933	-	25,933
Licenses and permits	526	789	-	1,315
Meals	7,739	7,739	-	15,478
Miscellaneous	4,000	558	-	4,558
Office supplies	14,790	778	-	15,568
Penalties and tickets	-	201,181	-	201,181
Postage	-	506	-	506
Printing and reproduction	3,244	360	-	3,604
Professional fees - accounting	8,953	471	-	9,424
Property taxes	-	8,397	-	8,397
Repairs and maintenance	1,113	20,834	-	21,947
Special events	-	-	5,734	5,734
Supplies-other	31,721	1,670	-	33,391
Telephone/cellular phones	72,672	8,075	-	80,747
Training/seminars	2,179	2,179	-	4,358
Travel	45,900	22,705	-	68,605
Utilities	10,210	1,134	-	11,344
Total expenses before depreciation and amortization	<u>2,566,824</u>	<u>458,133</u>	<u>5,734</u>	<u>3,030,691</u>
Depreciation and amortization	<u>27,122</u>	<u>3,014</u>	<u>-</u>	<u>30,136</u>
TOTAL EXPENSES	<u>\$ 2,593,946</u>	<u>\$ 461,147</u>	<u>\$ 5,734</u>	<u>\$ 3,060,827</u>

The notes to the financial statements are an integral part of this statement

ALTERNATIVES LIVING, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2013 AND 2012

	<u>2013</u>	<u>2012</u> <u>(Restated)</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (347,533)	\$ (219,713)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	42,345	30,136
Interest earned on and reinvested in certificate of deposit	(85)	(203)
(Increase) decrease in assets:		
Accounts receivable	(289,556)	20,414
Due from employees	(1,576)	(1,402)
Due from officer	(24,762)	(34,898)
Increase (decrease) in liabilities:		
Accounts payable	17,470	11,234
Credit card payable	4,303	16,335
Garnishment payable	2,492	(1,072)
Payroll liabilities	118,318	201,401
Accrued interest and penalties	207,968	117,005
Due to officers	29,994	-
Net cash provided (used) by operating activities	<u>(240,622)</u>	<u>139,237</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	<u>(25,076)</u>	<u>(190,851)</u>
Net cash used by investing activities	<u>(25,076)</u>	<u>(190,851)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on mortgage	(143,124)	(32,128)
Proceeds from mortgage loans	115,917	-
Loans from director	-	79,000
Payments on loan from director	-	(118,375)
Proceeds from line of credit	318,541	24,551
Payments on line of credit	<u>(25,514)</u>	<u>(24,156)</u>
Net cash provided (used) by financing activities	<u>265,820</u>	<u>(71,108)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	122	(122,722)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>38,736</u>	<u>161,458</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 38,858</u>	<u>\$ 38,736</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest paid	<u>\$ 29,701</u>	<u>\$ 21,318</u>
Income taxes paid	<u>\$ -</u>	<u>\$ -</u>
NONCASH INVESTING ACTIVITIES:		
Interest earned on and reinvested in certificate of deposit	<u>\$ 85</u>	<u>\$ 203</u>

The notes to the financial statements are an integral part of this statement

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

ORGANIZATIONAL PURPOSE

Alternatives Living, Inc. (the Corporation) is a Louisiana nonprofit organization that gives individuals an opportunity to become independent, productive, self-sufficient, contributing members of society within a community in both Louisiana and throughout the United States of America as permitted by law. Alternatives Living's primary sources of revenue are grants from the U.S. Department of Housing and Urban Development.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of the accompanying financial statements are as follows:

Basis of Presentation:

Financial statements of the Corporation have been prepared utilizing the accrual basis of accounting. Under that basis of accounting, revenues are recognized when earned, and expenses are recognized when incurred.

Financial statement presentation follows the provisions of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) 958, *Financial Statements of Not-For-Profit Organizations*. FASB ASC 958 established the standards for external financial reporting for not-for-profit organizations, which includes a statement of financial position, a statement of activities, a statement of functional expenses and a statement of cash flows. It requires the classification of resources into three classes of net assets based on the absence or existence of donor-imposed restrictions. These three classifications are defined as follows:

Unrestricted Net Assets – Net assets which are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets which are subject to donor-imposed restrictions that may or will be met by the action of the Corporation and/or the passage of time.

Permanently Restricted Net Assets – Net assets which are subject to donor-imposed restrictions that are required to be maintained by the Corporation. Generally, the donors of these assets permit the Corporation to use all or part of the income earned on any related investments for general or specific purposes.

The statement of activities presents expenses of the Corporation's operations functionally between program services and supporting services based on specific identification. Indirect expenses have been allocated based on estimates by management.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

Income Taxes:

Alternatives Living, Inc. is exempt from federal and state income taxes under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the financial statements.

Property and Equipment:

Property and equipment are stated at cost which includes acquisition price and rehabilitation expenditures. Depreciation is determined using the straight-line method and is intended to allocate the cost of the assets over their estimated useful lives. The Corporation capitalizes long-lived asset purchases over \$1,000.

Receivables:

The Corporation considers accounts receivable to be fully collectible since the balance primarily consists of payments due under government contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Functional Expenses:

The expenses of providing the programs and other activities have been summarized on a functional basis between program and supporting services in the statement of functional expenses. Certain of those expenses have been allocated among the program and supporting services benefited based on estimates by management of the costs involved.

Advertising Costs:

Advertising costs are expensed as incurred and totaled \$952 and \$-0- for the years ended June 30, 2013 and 2012, respectively.

Cash and Cash Equivalents:

For the purposes of the statement of cash flows, Alternatives Living, Inc. considers cash and cash equivalents as petty cash, cash in banks, savings accounts and certificates of deposit with original maturities of three months or less.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

2. CASH, CASH EQUIVALENTS AND CERTIFICATE OF DEPOSIT:

At June 30, 2013 and 2012, cash, cash equivalents and certificates of deposit were as follows:

	<u>2013</u>	<u>2012</u>
Cash - checking	\$ 23,469	\$ 23,420
Savings account	15,089	15,016
Petty cash	300	300
Certificate of deposit	<u>35,687</u>	<u>35,602</u>
 Total cash and cash equivalents and certificates of deposit	 \$ <u>75,545</u>	 \$ <u>74,338</u>

The Corporation has one certificate of deposit, with an interest rate of 0.15% and a maturity date of July 23, 2013. This certificate was renewed in July 2013, with the new maturity date being July 23, 2014. This certificate is pledged as collateral for the Corporation's line of credit (see footnote 9).

3. PROPERTY, EQUIPMENT AND LOAN FEES:

Property, equipment and loan fees at June 30, 2013 and 2012 consisted of the following:

	<u>2013</u>	<u>2012</u>
Land	\$ 45,000	\$ 45,000
Rent houses	205,000	205,000
Office building	531,191	522,289
Furniture, fixtures, and equipment	62,125	38,897
Construction in progress	-	7,054
Loan fees	<u>10,049</u>	<u>10,049</u>
 Total	 853,365	 828,289
 Less: accumulated depreciation and amortization	 <u>(126,737)</u>	 <u>(84,392)</u>
 Net book value	 \$ <u>726,628</u>	 \$ <u>743,897</u>

Depreciation expense was \$41,340 and \$29,131 and amortization expense was \$1,005 and \$1,005 for the years ended June 30, 2013 and 2012, respectively. Estimated amortization expense for the ensuing fiscal years through June 2018 is as follows:

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

3. PROPERTY, EQUIPMENT AND LOAN FEES: (Continued)

<u>Year</u>	<u>Amount</u>
2014	\$ 973
2015	942
2016	942
2017	942
2018	392

4. CONTRACT REVENUE AND RECEIVABLE:

The Corporation manages one unit of Transitional Housing at Southeast Louisiana Hospital (Wren-Way) and one Permanent Housing Group Home (Hummingbird) at Southeast Louisiana Hospital, providing staff twenty four hours per day, seven days per week, for the supervision and training of residents to prepare residents for more independent living/optimal level of functioning. Alternatives Living, Inc. is reimbursed for these expenses according to the contracts entered into for each facility. Each tenant is also required to pay monthly rent, which is recorded as rental income in the financial statements. The receivable related to this program as of June 30, 2013 and 2012 was \$-0- and \$23,225, respectively.

The Company also operates under the New Opportunity Waiver (NOW) agreement, under which the Corporation provides day and night companions for its clients in New Orleans. Alternatives Living, Inc. provides the labor services, and then is reimbursed based on the hours worked with Medicaid reimbursements, which are from the Louisiana Medical Assistance Program. Revenue under this program is recorded as accrued. The payments are received by a wire transfer from the Louisiana State Employment Payment System into a bank account of Alternatives Living, Inc.

The Company also operates under the Community Development Block Grant Housing Plus program, under which the Corporation provides housing support services to tenants accepted into the Region 1, State of Louisiana, Permanent Supportive Housing Program. Services provided are community-based, individualized, and determined via individual assessments and development of an individualized housing support plan. The receivable related to this program as of June 30, 2013 and 2012 was \$533,177 and \$243,621, respectively.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

5. MORTGAGE PAYABLE:

The Corporation entered into a mortgage note with First NBC Bank for the purpose of purchasing land. The original face value of the note was \$48,000. The mortgage bears interest at 8% and matures on January 15, 2014. As of June 30, 2013 and 2012, the principal balance outstanding on the mortgage was \$6,535 and \$13,148, respectively. This note is collateralized by the land.

The Corporation entered into a mortgage note with Capital One Bank for the purpose of purchasing rental houses. The original face value of the note was \$143,500. The mortgage bears interest at 7.95% and matures on January 1, 2018. As of June 30, 2013 and 2012, the principal balance outstanding on the mortgage was \$109,639 and \$115,256, respectively. This note is collateralized by the property at 714-716 South Gayoso Street.

The Corporation entered into a mortgage note with First Bank and Trust for the purpose of refinancing the office building mortgage loan. The face value of the note was 115,916. The mortgage bears interest at 5.5% and matures on May 30, 2016.

The Corporation entered into a mortgage note bearing interest at 8% and due to mature December 5, 2014 for the purchase of the office building. During 2013, the building was refinanced and this mortgage note was paid in full. As of June 30, 2012, the principal balance outstanding on the mortgage was \$130,893.

Future minimum mortgage payments are as follows:

<u>June 30,</u>	
2014	\$ 21,673
2015	16,152
2016	116,335
2017	12,491
2018	<u>65,439</u>
	<u>\$ 232,090</u>

6. USE OF ESTIMATES:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

7. CONCENTRATION OF CREDIT RISK:

Alternatives Living, Inc. maintains cash balances at several financial institutions. These balances were fully insured by the Federal Deposit Insurance Corporation as of June 30, 2013 and 2012.

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

8. RELATED PARTY TRANSACTIONS:

Due to costs that were not allowable, certain expenses of the company were reclassified as a receivable from officers. For the current year, amounts reclassified totaled \$24,762. As of June 30, 2013 and 2012, the balance on the officer receivable amounts outstanding was \$93,429 and \$68,667, respectively.

The Corporation received advances from its officers to cover operational expenses. These advances are short-term and non-interest bearing. At June 30, 2013 and 2012, the balance due to officers was \$29,994 and \$-0-, respectively.

9. LINES OF CREDIT:

The Corporation established a revolving line of credit with Capital One Bank with a maximum borrowing amount of \$50,000 for a one year period. As of June 30, 2013 and 2012, the principal balance outstanding on the line of credit was \$50,684 and \$34,966, respectively, and the variable interest rate was 13.5% for each of the years ending June 30, 2013 and 2012. This line of credit is secured by a certificate of deposit (CD) with Capital One (see Note 2).

The Corporation established a revolving line of credit with First NBC Bank with a maximum borrowing amount of \$45,000. As of June 30, 2013 and 2012, the principal balance outstanding on the line of credit was \$30,809 and \$35,969, respectively. The line of credit is due on demand, and has an interest rate of 7.25% per year. This line of credit is secured by the land owned by the Corporation.

During 2013, the Corporation established a revolving line of credit with First Bank and Trust with a maximum borrowing amount of \$350,000. As of June 30, 2013, the principal balance outstanding on the line of credit was \$282,469. The line of credit is due on demand and has an interest rate of 5.25% per year. This line of credit is secured by the office building owned by the Corporation.

10. FUTURE LEASE OBLIGATIONS:

The Corporation entered into a lease agreement for a vehicle for the use of the executive director. Lease expense for the years ended June 30, 2013 and 2012 was \$8,301 and \$9,128, respectively. The lease expires October 6, 2013. Future payments under this lease are as follows:

<u>June 30,</u>	
2014	<u>\$ 2,767</u>
	<u>\$ <u>2,767</u></u>

ALTERNATIVES LIVING, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

11. DATE OF MANAGEMENT'S REVIEW:

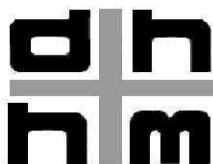
Management of the company has evaluated subsequent events through January 13, 2014, which is the date the financial statements were available to be issued.

12. RESTATEMENT:

Net assets as of July 1, 2012 have been adjusted for an understatement of penalties and interest. The correction has no effect on the results of the current year's activities; however, the cumulative affect decreases beginning net assets by \$41,891. Accordingly, the Corporation restated its results for the year ended June 30, 2012.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

January 13, 2014

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial auditors contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alternatives Living, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated January 13, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alternatives Living, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Alternatives Living, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses, 2013-01; 2013-02; and 2013-03.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies, 2013-04.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alternatives Living, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-04.

We noted certain matters that we reported to management of Alternatives Living, Inc. in a separate letter dated January 13, 2014.

Alternatives Living, Inc.'s Response to Findings

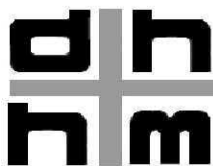
Alternatives Living, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Alternatives Living, Inc.'s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alternatives Living, Inc.'s internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

January 13, 2014

To the Board of Directors
Alternatives Living, Inc.
New Orleans, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Alternatives Living, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the Alternatives Living, Inc.'s major federal program for the year ended June 30, 2013. Alternatives Living, Inc.'s major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alternatives Living, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Alternatives Living, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Alternatives Living, Inc.'s compliance.

Basis for Qualified Opinion on PSH Housing Support Team Program

As described in the accompanying schedule of findings and questioned costs, Alternatives Living, Inc. did not comply with requirements regarding the allowable costs and activities compliance requirement that is applicable to its CFDA 14.218 PSH Housing Support Team Program as described in finding number 2013-05. Compliance with such requirements is necessary, in our opinion, for Alternatives Living, Inc. to comply with requirements applicable to that program.

Qualified Opinion on PSH Housing Support Team Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, Alternatives Living, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect in the PSH Housing Support Team Program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Alternatives Living, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Alternatives Living, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we not express an opinion on the effectiveness of Alternatives Living, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-02 and 2013-03 to be material weaknesses.

A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Alternatives Living, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Alternatives Living, Inc.'s response was not subject to the auditing procedures applied in the audit or compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Duplantier, Hrapmann, Hogan & Maher, LLP

ALTERNATIVES LIVING, INC.
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

<u>Federal Grantor/ Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U. S. Department of Housing and Urban Development</u>		
Passed through Louisiana Department of Health and Hospitals:		
PSH Housing Support Team*	14.218	<u>2,409,186</u>
TOTAL FEDERAL AWARDS		\$ <u><u>2,409,186</u></u>

* This program is considered a "major" program under OMB Circular A-133.

NOTE: The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

ALTERNATIVES LIVING, INC.
NOTES TO SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Schedule of Expenditures of Federal Awards of Alternatives Living, Inc. has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. Expenditures are recognized when incurred.

2. DETERMINATION OF TYPE A AND B PROGRAMS:

Federal awards programs are classified as either Type A or Type B programs. For the period ending June 30, 2013, Type A programs consist of the federal programs that expended over \$300,000 and Type B programs are the programs that expended under \$300,000.

ALTERNATIVES LIVING, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

* Material weakness(es) identified? X yes ___ no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? X yes ___ no

Noncompliance material to financial statements noted? X yes ___ no

FEDERAL AWARDS:

Internal control over major programs:

* Material weakness(es) identified? X yes ___ no

* Significant deficiency(ies) identified that are not considered to be material weaknesses? ___ yes X no

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings that are required to be reported in accordance with section 510(a) of Circular A-133: X yes ___ no

Identification of major programs:

<u>Name of Program</u>	<u>CFDA Number</u>	<u>Expenditures</u>
PSH Housing Support Team	14.218	\$2,409,186
Dollar threshold used to distinguish between Type A and Type B programs:		\$300,000
Auditee qualified as low-risk auditee?	___ yes	<u>X</u> no

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS:**

2013-01 – CREDIT CARDS

Condition

Credit card charges are not reconciled properly to the vendor statements. Transactions are posted to the general ledger monthly using descriptions and amounts included on the credit card statements. Supporting receipts are not maintained.

Criteria

Credit card charges should be reconciled to supporting receipts that validate the business purpose for the charges incurred.

Cause

There is a lack of controls over credit card charges.

Effect

The lack of proper supporting documentation and reconciliation to the monthly statements could result in material misstatements to the financial statements.

Recommendation

We recommend that management develop procedures to ensure credit card transactions are reconciled properly and timely to the monthly statements. This includes maintaining supporting receipts or invoices for each transaction, documenting the business purpose and approval of the transaction by management.

Management's Corrective Action Plan

Management has implemented written credit card policies requiring that all charges be supported with receipts or invoices and the supporting documentation should include the business purpose. Management will reconcile charges incurred to the monthly statements and supporting documentation. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2013-02: PAYROLL TAX LIABILITIES

Condition

Federal and state income tax withholdings as well as FICA taxes and withholdings were not paid to the Federal and State government in a timely manner for the period July 1, 2008 through March 31, 2013. Federal taxes subsequent to March 31, 2013 are current. State taxes were paid in full as of June 30, 2013.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)**

2013-02: PAYROLL TAX LIABILITIES (Continued)

Criteria

Federal laws require payroll tax deposits to be made within 3 days of the date payroll was issued or semi-weekly, depending on the dollar amount. State laws require payroll tax withholdings to be deposited monthly or quarterly depending on the dollar amount.

Cause

The operations of the Company were not properly managed. Budgets and cash flow were not properly monitored.

Effect

The Company is not in compliance with Federal and State laws. Failure to pay payroll taxes has resulted in significant penalty and interest charges. Penalties and interest are not allowable costs under federal grant rules; therefore, the company will need to seek additional funding sources to pay the federal penalties and interest accrued. Additionally, the penalties and interest have created a deficit balance in the Company's net assets.

Recommendation

We recommend that management comply with payroll tax laws and make tax deposits timely. Cash flow and budgets should be monitored closely. We also recommend that management pay outstanding federal payroll tax liabilities as soon as possible so that additional penalties and interest can be avoided.

Management's Corrective Action Plan

Management will perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future. Management is currently seeking additional funding sources. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

2012-03: SEGREGATION OF DUTIES

Condition

A lack of proper segregation of duties exists for accounting functions over cash receipts, cash disbursements, payroll and the general ledger.

Criteria

Proper segregation of duties is needed for adequate internal controls over financial reporting and compliance.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS: (Continued)**

2012-03: SEGREGATION OF DUTIES (Continued)

Cause

The controller performs all accounting functions for cash receipts, disbursements, payroll, general ledger entries, bank reconciliations, check writing, etc.

Effect

The effect of not having proper segregation of duties results in lack of internal controls, which could result in misappropriation of assets or material misstatements to the financial statements.

Recommendation

We recommend, whenever possible, duties be segregated to improve internal controls.

Management's Corrective Action Plan

Management will review current accounting procedures and consider having other staff members assume roles that will allow for better separation of duties.

2013-04 – PERSONAL EXPENSES

Condition

We noted several personal expenses for items such as travel, sporting events, concert tickets, and repairs to personal vehicles that were charged as expenses to the company. An adjustment was made during the audit to reclassify all such known items as receivable from employee.

Criteria

Expenses recorded by the Company should be ordinary and necessary business expenses.

Cause

There was no written policy in place for employee personal expenses made through use of company funds.

Effect

Personal transactions recorded as expenses may lead to company expenses being materially overstated. Additionally, these types of personal expenses could affect the tax exempt status of the organization. The area of personal expenses can be subject to intense analysis and scrutiny in the event of an audit by IRS or other such inquiry or investigation.

Recommendation

We recommend that policies related to personal expenses be implemented. We also recommend that these types of transactions be recorded as employee receivables and not company expenses.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

**SECTION II - FINDINGS REQUIRED TO BE REPORTED UNDER GENERALLY
ACCEPTED GOVERNMENTAL AUDITING STANDARDS:** (Continued)

2013-04 – PERSONAL EXPENSES (Continued)

Management's Corrective Action Plan

Management has implemented a policy for personal expenses. Any future personal expenses will be coded as employee receivable. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

**SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD
PROGRAMS:**

2013-02: PAYROLL TAX LIABILITIES

See comment listed under Section II above

2013-03: SEGREGATION OF DUTIES

See comment listed under Section II above

2013-05: UNPAID PAYROLL TAXES

Condition

We noted that payroll taxes and tax withholdings related to social workers under the PSH Housing Support Team Program (CFDA #14.218) were not paid.

Criteria

Federal grant funds were received for the purpose of paying salaries and related Federal and State payroll taxes and with-holdings.

Cause

The operations of the Corporation were not properly managed.

Effect

Federal funding was received, but was not spent on the allowable costs of the program in accordance with the PSH Housing Support Team contract.

ALTERNATIVES LIVING, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION III - FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS: (Continued)

2013-05: UNPAID PAYROLL TAXES (Continued)

Questioned Cost

Because there are many other employees of the company that did not work on the Federal PSH Housing Support Team Program, an assumption was made that any taxes paid were first allocated to these employees and then to the employees that worked on Federal grant programs. As such, estimated questioned costs related to unpaid taxes under the PSH Housing Support Team Program (CFDA 14.218) were \$221,185.

Recommendation

We recommend that management comply with federal and state payroll tax laws in order to be in compliance with the PSH Housing Support Team contract.

Management's Corrective Action Plan

Management will perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future. Management is currently seeking additional funding sources. Because the June 2011 and 2012 audit reports were not issued until May 2013 and July 2013, respectively, management was unable to implement the recommendations until subsequent fiscal years.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

2012-01: CHECKS WRITTEN TO CASH

Condition and Criteria

We noted checks written to “cash” that were intended for purchases such as van fuel, food and other supplies needed for social workers. Supporting receipts were not maintained for these purchases. Checks should be written to a specific vendor and supporting documentation should be properly maintained.

Status

Management implemented a policy in February 2013 requiring all checks be made to a specific payee; accordingly, this finding is resolved in the current year.

2012-02: CREDIT CARDS

Condition and Criteria

Credit card charges were not reconciled properly to the vendor statements. Transactions are posted to the general ledger monthly using descriptions and amounts included on the credit card statements. Supporting receipts were not maintained. Credit card charges should be reconciled to supporting receipts that validate the business purpose for the charges incurred.

Status

This finding is repeated as item 2013-01 in the current year.

2012-03: PAYROLL TAX LIABILITIES

Condition and Criteria

Federal and state income tax withholdings as well as FICA taxes and withholdings were not paid to the Federal and State government in a timely manner for the period July 1, 2008 through March 31, 2013. Federal laws require payroll tax deposits to be made within 3 days of the date payroll was issued or semi-weekly, depending on the dollar amount. State laws require payroll tax withholdings to be deposited monthly or quarterly depending on the dollar amount.

Status

This finding is repeated as items 2013-02 in the current year.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

2012-04: SEGREGATION OF DUTIES

Condition and Criteria

A lack of proper segregation of duties existed for accounting functions over cash receipts, cash disbursements, payroll and the general ledger. Proper segregation of duties is needed for adequate internal controls over financial reporting and compliance.

Status

This finding is repeated as item 2013-03 in the current year.

2012-05: FILING OF AUDIT REPORT

Condition and Criteria

State law requires that the audit report must be completed and submitted to the Louisiana Legislative Auditor within six months of the close of the fiscal year. The Company did not submit the audit report for the year ended June 30, 2012 by the date authorized by the State of Louisiana Legislative Auditor.

Status

This finding is resolved in the current year.

2012-06: PERSONAL EXPENSES

Condition and Criteria

We noted several personal expenses for items such as travel, sporting events, concert tickets, repairs to personal vehicles and tuition that were charged as expenses to the company. An adjustment was made during the audit to reclassify all such known items as receivable from employee. Charges that are personal in nature should not be recorded as expenses of the company

Status

This finding is repeated as item 2013-04 in the current year.

ALTERNATIVES LIVING, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

2012-07: FILING OF SINGLE AUDIT SUBMISSION PACKAGE

Condition and Criteria

Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires the Company to submit its Single Audit Reporting Package to the federal clearinghouse no later than 9 months after fiscal year-end, unless the Company's federal oversight agency approves an extension of this deadline. The federal reporting deadline for the Company's Single Audit Reporting Package was March 31, 2013. The Corporation did not issue its Single Audit Reporting Package within the time frame required. There was no extension request made to the U.S. Department of Housing and Urban Development.

Status

This finding is resolved in the current year.

2012-08: UNPAID PAYROLL TAXES

Condition and Criteria

We noted that payroll taxes and tax withholdings related to social workers under the PSH Housing Support Team Program (CFDA #14.218) were not paid. Federal grant funds were received for the purpose of paying salaries and related Federal and State payroll taxes and withholdings.

Status

This finding is repeated as item 2013-05 in the current year.

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CLIFFORD J. GIFFIN, JR., C.P.A.

A.J. DUPLANTIER, JR., C.P.A. (1919-1985)
FELIX J. HRAPMANN, JR., C.P.A. (1919-1990)
WILLIAM R. HOGAN, JR., C.P.A. (1920-1996)
JAMES MAHER, JR., C.P.A. (1921-1999)

January 13, 2014

To the Board of Directors and Management of
Alternatives Living, Inc.
New Orleans, Louisiana

In planning and performing our audit of the financial statements of Alternatives Living, Inc. (the "Company") as of and for the year ended June 30, 2013, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstance for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion of the effectiveness of the Company's internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The section below summarizes our comments and suggestions regarding these matters. Our separate report on internal controls over financial reporting and on compliance and other matters based on an audit in accordance with *Government Auditing Standards*, dated January 13, 2014, and our independent auditor's report on compliance for each major program and on internal control over compliance required by *OMB A-133*, dated January 13, 2014, contains our communication of significant deficiencies and material weaknesses in the Company's internal control. This letter does not affect our report dated January 13, 2014, on the financial statements of Alternatives Living, Inc.:

2013-06: CASH DISBURSEMENTS, SEQUENTIAL NUMERICAL CHECK CONTROL

Comment

We noted that many checks were written out of sequence. There were large gaps in the check sequence and in many instances check numbers were used in duplicate or triplicate. Additionally, there were instances where physical check numbers clearing the bank did not agree to the check number on the check register.

Recommendation

We recommend that strict control be kept over all checks issued and that checks be issued in sequence as much as possible. Voided checks should be defaced with the signature part of the check removed and the check retained and accounted for in numerical sequence.

Management's Response

Management will monitor the check sequence to ensure that it remains in order. Additionally, management will verify that physical checks written agree with the check number recorded in the general ledger.

2013-07: DEFICIT FUND BALANCE

Comment

The Company's unrestricted net assets has a deficit balance. The deficit balance continued to grow in the current year mainly due to penalties and interest incurred for past due payroll tax liabilities. If not resolved, this deficit financial position could lead to a going concern issue in future years.

Recommendation

We recommend that management monitor budgets and cash flow efficiently. Additionally, payroll taxes should be filed timely to avoid penalties and interest.

Management's Response

Management will perform a thorough analysis of operations and cash flows to prevent this situation from occurring in the future. Management is currently seeking additional funding sources.

2013-08: BOARD MINUTES

Comment

We noted that Board minutes were prepared for September 2012 and January 2013. As of the date of our report, no additional Board minutes have been documented. According to the by-laws of the Corporation, meetings are to take place at a minimum in June and December each year and then as needed. Minutes serve as a record of the events of the Board meetings and should document all important topics discussed and decisions reached. Board minutes can be a crucial document in the event of future legal matters and in documenting compliance with IRS regulations and other regulatory issues.

Recommendation

We recommend that the Company review its by-laws and consider increasing the number of meetings held annually.

Management's Response

The Company's by-laws will be reviewed and a determination of the adequacy of the required meetings currently in place will be made.

STATUS OF PRIOR YEAR FINDINGS:

2012-09: CASH RECEIPTS

Comment

We noted one receipt for \$15,262 that was posted twice to accounts receivable, and two deposits totaling \$26,395 that were posted as revenue. We also noted additional receipts totaling \$6,462 that were coded to incorrect general ledger accounts. One receipt for \$23,000 entered into the general ledger did not clear on the bank statements. Adjustments were made during the audit to correct these transactions.

Recommendation

We recommended that revenue and related receivable accounts be reconciled accurately and timely to ensure cash receipts are posted correctly to the proper general ledger account.

Status

This finding is resolved in the current year.

2012-10: CASH DISBURSEMENTS

Comment

We noted disbursements totaling \$135 coded to “reimbursed expenses”, “reimbursed “expenses is not considered to be a natural account classification. We also noted additional disbursements totaling \$88,624 that were coded to incorrect general ledger accounts. Adjustments were made during the audit to correct these posting errors and to reclassify items to their natural account class.

Recommendation

We recommended that expense accounts be reconciled accurately and timely to ensure cash disbursements are posted correctly to the proper general ledger account.

Status

This finding is resolved in the current year.

2012-11: PAYROLL BANK RECONCILIATION

Comment

We noted several outstanding deposits on the First NBC bank reconciliation that were made in error totaling \$21,664. This resulted in the bank account not being properly reconciled. Adjustments were made during the audit to correct these reconciliation items.

Recommendation

We recommended that reconciling items be supported by proper documentation and that bank reconciliations are properly prepared and adjusted accordingly on a timely basis.

Status

This finding is resolved in the current year.

2012-12: SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Comment

The schedule of Expenditures of Federal Awards was prepared by the auditor using cost reimbursement forms and invoices submitted to the pass-through agencies and cost allocations provided by the Company, however, the cost allocations could not be directly tie to all of the funds received, Federal Awards expenditures should be tracked in a manner that they can easily support the Schedule of Expenditures of Federal Awards.

Recommendation

We recommended that management continue to allocate costs under applicable programs and reconcile federal funds spent to amounts reported on the schedule of expenditures of federal awards.

Status

This finding is resolved in the current year.

2012-13 DEFICIT FUND BALANCE

Comment

As of June 30, 2012, the unrestricted net position had a deficit balance. During the fiscal year 2012, the unrestricted net position class incurred a significant loss in its operations mainly due to penalties and interest incurred for past due payroll tax liability.

Recommendation

We recommended that payroll taxes be filed timely so that unfunded penalties and interest are not incurred.

Status

This finding is repeated as item 2013-08 in the current year.

2012-14: VEHICLE LEASE

Comment

The Company made payments on a vehicle lease for the officer. The Company did not have a signed lease agreement for this vehicle on file.

Recommendation

We recommended that the original signed copy of lease agreements be maintained.

Status

This finding is resolved in the current year.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience or assist you in implementing the recommendations.

This communication is intended solely for the information and use of management, the board of directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

DUPLANTIER, HRAPMANN, HOGAN & MAHER, LLP



Lindsay J. Calub, CPA
Partner

LJC/ct